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TAGS: [CASC](#) [ASEC](#) [ELAB](#) [PGOV](#) [PINS](#) [SNAR](#) [KCRM](#) [CH](#)
SUBJECT: CHINA: AMCIT BUSINESS DISPUTE SHAKEDOWNS INCREASING AS
ECONOMIC CONDITIONS WORSEN

REF: A) GUANGZHOU 0043, B) JACOBSEN/FITCH EMAIL 3/17/09

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POSTED ON THE INTERNET.

¶11. (U) Summary: There appears to have been an increase in the number
of business disputes in which American citizens have been forcibly
detained until money is paid to obtain the victim's release. We
believe the trend is related to worsening economic conditions, and
that many cases likely go unreported. We recommend via ref email
that the current advice on this issue in the Consular Information
Sheet (CIS) for China be updated to reflect the growing trend. End
Summary.

Old Strategy, New Urgency

¶12. (U) Extra-legal, strong-arm tactics are long established methods
of resolving business disputes in southern China ("the world's
factory floor"). Frequently, the victim is threatened with violence
and detained at a factory, hotel, or private residence until payment
is received. If a person is detained in a factory, scores or even
hundreds of angry workers may be involved. If detained elsewhere,
at a hotel or removed to another location, the victim has often been
kidnapped/seized by a small group of hired thugs. While local law
enforcement cooperates in ensuring the safety of American citizens
in these cases, they are hesitant to get too involved. Usually,
these situations are resolved when a payment is negotiated and
delivered.

¶13. (U) In Guangzhou, the available evidence shows that reported
cases involving Americans being held against their will until debts
are paid have historically averaged approximately three or four a
year. However, since October 2008, there have been eleven (11) such
cases reported. There appears to be a higher incidence of these
cases during trade fairs, when the numbers of foreign
businesspersons in-country peaks.

RECENT INCIDENTS

¶14. (SBU) A case reported in February 2009 illustrates the high
stakes sometimes involved and the lengths to which the perpetrators
are willing to go. Two Amcits and their Taiwanese business partner
were forced from the road in Dongguan, a major manufacturing center
in Guangdong's Pearl River Delta. The victims were driven to a
rural location and threatened with torture and death unless USD 4
million was transferred to a bank account in China. One of the

factory's suppliers, not the factory owners themselves, apparently owed this amount of money. The supplier transferred the money from the U.S. and the hostages were released the next day. We only learned of the incident after the Amcit victims returned safely to the U.S. Their lawyer notified us that he had asked DOJ/FBI to help him work with Chinese authorities to investigate and prosecute the case (ref B).

¶ 15. (SBU) Two other recent cases appear to involve extortion. In January, an Amcit was detained and threatened with violence at his factory in Xiamen, Fujian province. The victim was convinced the men were affiliated with organized crime, and he insisted that he had no business connections with them. In March, an Amcit was held in his home in rural Hainan until money was paid. In both cases, the local authorities assisted the American citizens in escaping only after telephone calls were made from the consulate. In neither case has an arrest been made or criminal charges brought.

¶ 16. (SBU) Comment: As economic conditions deteriorate, business owners and factory employees grow more fearful that expected income from business deals and employee contracts will fall through. Weak enforcement of contract law was already a problem in China's legal system; the economic downturn has worsened the situation (ref A). Under these conditions, it appears that the use of vigilante tactics to collect on debts is growing. End Comment.

¶ 17. (U) This cable was cleared with Embassy Beijing.

GOLDBERG